

Economics of marginal corn ground compared to seeding to pasture or hay

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High commodity grain prices from 2008-2013 attracted marginal ground in to row crop production at the expense of pasture, hay and wooded acres in the Driftless Region. CBO, USDA and FAPRI forecast till 2018 and beyond is for average grain prices to be at or below costs of production. In some cases the marginal, lower productive ground may not make economic sense to continue in grain production.

Precision agriculture combines GPS (Global Positioning System) and yield monitors to produce detailed maps of crop yields across a farm and individual fields. On “average” we can see total field yield, the details of yield maps demonstrates yield frequency and distribution and how lower yielding areas, requiring similar inputs are being supported by the high producing areas of the field.

This is a familiar story to cattlemen. We have high producing cows, average cows and lower producing cows. In periods of low prices, Cattlemen have the option of loading the low end of the herd on to a trailer and culling these animals, raising the average production level of the remaining herd. It’s harder to “cull” an acre of marginal land.

The question producers need to evaluate for their individual farm is whether some of these marginal acres might improve overall farm profit if they were re-established as hay or pasture. In effect “culling” the low performing acres from grain production and raising the overall average on the acres that are earning their keep.

As financial margins tighten, we need to allocate resources towards the most productive assets and find alternative uses for the lower returning assets. Cattle numbers are at historically low levels and expansion has been thus far, slow. Returns to beef operations look very favorable over the next several years. The implication is that forage production on marginal acres, for hay or perhaps pasture, may reduce financial losses from producing grain on these acres.